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NORWEST CORPORATION

ECONOMIC INDICATORS

CORPORATE ECONOMICS DEPARTMENT - DR. SUNG WON SOHN, CHIEF ECONOMIST NOVEMBER 8, 1984

Fall 1984 Regional Economic Survey

Sharp differences characterize economic conditions and the outlook for the region. Farmers appear to be living in two different worlds, depending on debt loads and management practices. Bankers forecast a gloomy future for the most highly leveraged farm operators, but are very upbeat concerning the long-term prospects for a large number of solid farm operators. However, a pessimistic mood has gripped most farm communities as the adjustment to a new set of economic rules continues.

Another sharp contrast in the region is the Twin Cities' remarkable rebound from the last recession, surpassing the strong national performance. The upward momentum is expected to carry over into 1985. Meanwhile, many northeastern Minnesota communities anticipate a continued slow recovery at best.

This picture emerges from the results of Norwest's 17th semi-annual survey of the region's bankers. The survey, conducted in early October, drew responses from more than 650 bankers in Iowa, Minnesota, Montana, Nebraska, North Dakota, South Dakota and Wisconsin.

Economic Conditions

Agricultural Communities

Tough Times Continue. Sagging grain and livestock prices, declining land values and continued high real interest rates point to another challenging year for farmers and ag-related businesses. Farm margins are considered very thin, with little opportunity to reduce debt loads. However, operators with good equity positions are managing to post a profit.

Half of the agricultural bankers classify current economic conditions as fair, 36 percent rate local conditions poor and another 6 percent very poor. Economic conditions appeared the weakest in eastern Montana, with two-thirds of the bankers calling current conditions poor and 13 percent giving a very poor rating. Portions of Montana have suffered serious drought for several years.

Eastern North Dakota bankers were the most upbeat. More than 40 percent of these bankers considered current economic conditions good and another 38 percent fair. Many of these bankers referred to the 1984 harvest as the best crop in years.

In the absence of some unforeseen price-boosting development, most bankers anticipate little, if any, improvement in local economic conditions during the next year. One-fourth of the agricultural bankers are braced for more difficult economic times. However, the outlook for farm commodity prices is highly uncertain. Good weather next year could push corn and soybean inventories to the true surplus range in 1985-86, while a poor crop would all but guarantee a return to tight supplies and stronger prices. Livestock profits may improve during the next year, while bankers expect dairy operations to be fairly stable.

Depressed farm earnings are also hurting many ag-related businesses and other merchants in small rural towns, as farmers slash outlays to the bare minimum.

A number of bankers cited lowering the federal government deficit as the key ingredient to a healthier agricultural economy. They felt this action would lower interest rates and also stimulate grain exports as the dollar would moderate from current lofty levels. Proposals to defer debt payments were considered of limited value, since such plans failed to address the underlying cause of the farm problem: Farmers need more income, not more credit.

Sharp Dichotomy Within Agriculture. There is a sharp dichotomy between farm operations that are highly leveraged and those with low debt loads. Farmers with considerable equity remain healthy, while the heavily indebted struggle to survive. Although these highly leveraged operations are in the minority, their plight has prompted many financially strong producers to adopt a very cautious attitude.

Failure Rate Edging Up. Although still low, the number of farmers going out of business is on the rise. Bankers estimated that 2 percent of their customers quit farming during the past 12 months. Their estimates ranged from a low of one-half of 1 percent for one-fourth of the agricultural bankers to a high of at least 3 percent for another one-fourth of the bankers. These figures are up from previous surveys.

Depressed farm earnings will continue to take their toll. Bankers indicate that another 3 percent of their customers may discontinue operations during the next year.

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Fall 1984 Regional Economic Survey

Conducted by:
Norwest Corporation, Economics Department
Norwest Banks, Financial Institutions Group

Credit Conditions

Unless otherwise indicated, figures show percentage of bankers falling in each of the categories - higher, same, lower, etc. Items may not add up to 100 percent due to rounding.

1. *What is your current* ***loan-to-deposit*** *ratio?*

	Survey Average	Response by Percentile 25th	50th	75th
All Ag Banks	61.2%	52.0%	62.0%	70.0%
Minnesota	64.0	55.0	65.1	73.0
North Dakota	55.8	47.0	58.0	65.0
South Dakota	56.9	49.5	57.0	65.3
Montana	62.1	49.5	64.1	72.5
Wisconsin	67.2	62.5	67.5	72.0
Iowa	57.4	47.0	58.8	65.0
Nebraska	65.0	56.0	66.0	75.0
Twin Cities Banks	65.4	59.3	65.0	72.0
N. Minn-Wisc.	61.7	52.0	63.6	74.3

2. ***Loan-to-deposit ratio*** *higher or lower than desired?*

	Higher	Desired	Lower
All Ag Banks	19%	44%	37%
Minnesota	24	46	29
North Dakota	9	40	51
South Dakota	18	47	35
Montana	20	34	46
Wisconsin	18	36	45
Iowa	14	44	41
Nebraska	27	43	30
Twin Cities Banks	10	51	39
N. Minn.-Wisc.	11	56	33

3. ***Typical interest rate*** *charged for operating loans?*

	Survey Average	Response by Percentile 25th	50th	75th
All Ag Banks	14.7%	14.5%	14.5%	15.0%
Minnesota	14.8	14.5	14.5	15.0
North Dakota	14.5	14.1	14.5	14.8
South Dakota	14.8	14.5	14.8	15.0
Montana	14.8	14.5	14.8	15.5
Wisconsin	14.3	13.9	14.4	15.0
Iowa	14.7	14.5	14.8	15.0
Nebraska	14.6	14.3	14.5	14.8
Twin Cities Banks	14.7	14.4	14.8	15.0
N. Minn-Wisc.	14.8	14.3	15.0	15.0

4. *Percentage change in* ***loan volume*** *during past 12 months?*

	Survey Average	Response by Percentile 25th	50th	75th
All Ag Banks	5.7%	0.0%	5.0%	10.0%
Minnesota	7.0	0.0	6.0	10.0
North Dakota	4.6	0.0	2.8	10.0
South Dakota	1.3	0.0	0.0	5.0
Montana	6.4	0.0	6.0	10.0
Wisconsin	3.2	0.0	0.0	6.3
Iowa	6.6	0.0	4.0	12.0
Nebraska	5.9	0.0	5.0	10.0
Twin Cities Banks	14.0	6.3	14.0	20.0
N. Minn-Wisc.	6.8	0.0	5.0	11.8

5. *Are customers* ***repaying loans*** *at a faster or slower rate?*

	Faster	Same	Slower
All Ag Banks	6%	56%	38%
Minnesota	3	54	43
North Dakota	19	67	14
South Dakota	11	60	29
Montana	0	66	34
Wisconsin	5	59	36
Iowa	4	47	49
Nebraska	3	53	45
Twin Cities Banks	12	82	6
N. Minn.-Wisc.	14	64	22

6. *Did your bank* ***sell participations*** *to PCAs in past 3 months?*

	Yes	No
All Ag Banks	3%	97%
Minnesota	5	95
North Dakota	4	96
South Dakota	0	100
Montana	0	100
Wisconsin	0	100
Iowa	1	99
Nebraska	1	99

7a. *Change expected in* ***agricultural loan volume*** *during* ***next 12 months****?*

	Higher	Same	Lower
All Ag Banks	31%	58%	11%
Minnesota	30	58	12
North Dakota	33	64	2
South Dakota	29	62	9
Montana	37	54	9
Wisconsin	18	64	18
Iowa	36	52	12
Nebraska	28	54	19

7b. *Change expected in* ***commercial and industrial loan volume*** *in next 6 months?*

	Higher	Same	Lower
Twin Cities Banks	43%	45%	12%
N. Minn.-Wisc.	17	64	19

7c. *Change expected in* ***total loan volume****?*

	Higher	Same	Lower
All Ag Banks	33%	57%	10%
Minnesota	35	56	9
North Dakota	31	57	12
South Dakota	28	65	7
Montana	32	50	18
Wisconsin	27	64	9
Iowa	39	53	8
Nebraska	27	62	10
Twin Cities Banks	42	52	6
N. Minn.-Wisc.	22	56	22

8. Anticipated trend in **loan-to-deposit ratio** during **next 12 months**.

	Higher	Same	Lower
All Ag Banks	32%	49%	19%
Minnesota	34	49	17
North Dakota	35	52	13
South Dakota	31	44	25
Montana	41	44	15
Wisconsin	36	50	14
Iowa	30	55	15
Nebraska	25	43	32
Twin Cities Banks	41	51	8
N. Minn.-Wisc.	28	56	17

9. Percentage increase in **bank deposits** during past 12 months?

	Survey Average	Response by Percentile 25th	50th	75th
All Ag Banks	4.7%	0.0%	5.0%	9.0%
Minnesota	5.1	0.0	5.0	10.0
North Dakota	4.5	0.0	5.0	8.1
South Dakota	3.4	0.0	5.0	6.0
Montana	7.2	0.0	5.0	12.0
Wisconsin	6.7	1.8	5.5	10.0
Iowa	3.3	0.0	3.0	7.0
Nebraska	4.9	0.0	5.0	9.0
Twin Cities Banks	10.7	6.3	10.0	15.8
N. Minn-Wisc.	8.6	5.0	9.6	12.0

10. **Anticipated deposit growth** during next 12 months?

	Stronger	Average	Weaker
All Ag Banks	14%	67%	19%
Minnesota	13	67	20
North Dakota	15	69	15
South Dakota	11	72	17
Montana	9	65	26
Wisconsin	27	59	14
Iowa	16	66	18
Nebraska	14	63	23
Twin Cities Banks	24	59	16
N. Minn.-Wisc.	3	75	22

Business Conditions

11. Is **farm/ranch income** higher or lower than a year ago?

	Higher	Same	Lower
All Ag Banks	15%	33%	52%
Minnesota	10	32	58
North Dakota	36	38	26
South Dakota	20	36	44
Montana	3	31	66
Wisconsin	0	41	59
Iowa	19	20	61
Nebraska	6	44	50

12. Change in **farm income** during **next 12 months**?

	Higher	Same	Lower
All Ag Banks	11%	53%	36%
Minnesota	5	50	44
North Dakota	20	53	27
South Dakota	11	58	31
Montana	26	51	23
Wisconsin	23	45	32
Iowa	11	49	40
Nebraska	6	63	31

13a. Percentage change in **cropland prices** from a year ago?

	Survey Average	Response by Percentile 25th	50th	75th
All Ag Banks	-13.7%	-20.0%	-11.0%	- 7.1%
Minnesota	-14.6	-20.0	-14.5	-10.0
North Dakota	- 8.7	-14.3	-10.0	0.0
South Dakota	-12.7	-15.0	-10.0	- 9.0
Montana	- 7.8	-15.0	- 5.0	0.0
Wisconsin	-10.9	-20.0	-10.0	- 3.8
Iowa	-17.8	-25.0	-20.0	-10.0
Nebraska	-15.1	-20.0	-13.0	-10.0

13b. Percentage change in **pastureland prices** from a year ago?

	Survey Average	Response by Percentile 25th	50th	75th
All Ag Banks	-14.6%	-20.0%	-15.0%	- 5.1%
Minnesota	-13.6	-20.0	-10.0	0.0
North Dakota	-10.3	-15.0	-10.0	0.0
South Dakota	-14.8	-20.0	-15.0	- 8.8
Montana	- 8.8	-15.0	-10.0	0.0
Wisconsin	- 9.8	-20.0	- 7.8	0.0
Iowa	-19.3	-25.0	-20.0	-10.0
Nebraska	-19.6	-26.3	-20.0	-10.0

14. Anticipated trend in **land prices** during **next 12 months**?

	Increase	Stable	Decrease
All Ag Banks	1%	42%	57%
Minnesota	1	44	55
North Dakota	1	61	38
South Dakota	0	29	71
Montana	0	34	66
Wisconsin	0	50	50
Iowa	2	36	62
Nebraska	0	37	63

15. Are **capital expenditures** higher or lower than a year ago?

	Higher	Same	Lower
All Ag Banks	2%	15%	83%
Minnesota	1	16	83
North Dakota	6	19	76
South Dakota	4	26	70
Montana	0	9	91
Wisconsin	0	10	90
Iowa	0	15	85
Nebraska	0	6	94
Twin Cities Banks	47	47	6
N. Minn.-Wisc.	17	44	39

16. Change expected in **capital outlays** during **next 12 months**?

	Higher	Same	Lower
All Ag Banks	3%	35%	62%
Minnesota	3	34	62
North Dakota	7	47	47
South Dakota	4	36	60
Montana	0	26	74
Wisconsin	5	45	50
Iowa	3	28	69
Nebraska	0	33	68
Twin Cities Banks	37	53	10
N. Minn.-Wisc.	17	33	50

Survey
(continued)

are expected to keep mining and taconite shipments under wraps.

Bankers in other northern Minnesota communities characterize current economic conditions as mostly fair. Business and consumer spending remain below pre-recession levels. Most bankers anticipate only limited growth, at best, during the next six months. Lower mortgage rates would give a welcome boost to the logging and wood-products industries, but bankers did not give very good odds for this happening.

Northern Wisconsin bankers indicate that local business conditions are fair to good. Both auto and general-retail sales are stronger than a year ago. Housing starts have improved slightly, but capital expenditures remain subdued. Most of these Wisconsin bankers expect little change in overall economic conditions during the next six months.

Credit Conditions

Agricultural Banks

Loan Demand Up Moderately. Loan demand is up from a year ago, reflecting increased farm operating costs associated with the rebound in crop acreage this year as well as cutbacks in loans by some other lenders, such as the Farm Credit System. However, loan growth was restrained by weak captial spending by farmers.

Total loan volume at country banks was up an average of 5.7 percent from a year ago, but considerable variation existed. Twenty-five percent of the banks reported no increase in loan demand, while another 25 percent had increases of 10 percent or more. Within the region, loan demand was considerably weaker than average in eastern South Dakota, central North Dakota and western Wisconsin. Most banks in these locations reported little change in loan volume, and a fair number experienced declines.

Loan demand outdistanced deposit growth, pushing loan-to-deposit ratios higher. At 61.2 percent, the average loan-to-deposit ratio at agricultural banks was up nearly 3 percentage points from a year ago and at the highest level in four years. One-fourth of the banks had ratios of 52 percent or less, while another one-fourth had ratios of 70 percent or more. Although 37 percent of the bankers still viewed their ratio as lower than desired, this is a more favorable appraisal than reported in recent years.

Agricultural bankers anticipate only moderate increases in loan volume during the next 12 months. Operating loans will edge up more slowly, since 1985 crop acreage will remain near this year's level. Farmers are also likely to monitor fertilizer and chemical applications closely. Moreover, capital outlays will be kept at a bare minimum. Thus, loan-to-deposit ratios may show less change over the next 12 months.

Deposits at agricultural banks are up 4.7 percent from a year ago, a somewhat smaller increase than observed in the last couple of surveys. Bankers anticipate similar deposit growth during the next 12 months. One-fourth of the bankers reported no growth in deposits, while another one-fourth experienced deposit growth of 9 percent or more.

Financial stress in agriculture is reflected in sluggish loan-repayment rates. The number of bankers noting year-to-year declines in repayments exceeded the number noting an increase.

Interest rates on farm operating loans averaged 14.7 percent in October, up about one-half of 1 percent from last April. Rates had hovered around 14 percent for the previous 18 months.

Twin Cities

Strong Loan Demand. The rapid economic rebound is reflected in robust loan demand at Twin Cities banks. Total loans outstanding increased an average of 14 percent during the past 12 months. This extends the strong growth reported last April, and is in sharp contrast with the weak loan demand observed one year ago. One-fourth of the banks reported increases of 6 percent or less in the past six months, while another one-fourth experienced growth of 20 percent or more. Loan-repayment rates remained steady at last spring's improved pace.

Deposits were up a healthy 10 percent from a year ago, but fell shy of the 16 percent spurt reported last April. Deposits were up 6 percent or less at one-fourth of the banks, while they grew 16 percent or more at another one-fourth of the banks.

The average loan-to-deposit ratio has inched up nearly 1 point since April to 65.4 percent — the highest ratio in two years. One-fourth of the banks had a ratio of 59 percent or less, while another one-fourth had a ratio of 72 percent or more. Thirty-nine percent of the bankers viewed their ratios as lower than desired, down from two-thirds a year ago.

Twin Cities bankers look for continued strong loan demand during the next six months. Loan growth is expected to outdistance deposit growth, continuing to push up loan-to-deposit ratios.

Northern Minnesota/Wisconsin

Credit Weakness Persists. Weak loan demand, moderate deposit growth and sluggish repayment rates characterize current credit conditions. Loan volume is up an average of 6.8 percent from a year ago. Despite this weak overall pattern, one-fourth of the banks in this region reported increases of 12 percent or more.

Deposit growth averaged 8.6 percent during the past 12 months, up from last April's figure of 6.2 percent. Once again, considerable variation existed among individual banks.

The average loan-to-deposit ratio rebounded two percentage points during the past six months to 61.7 percent. Yet, one-third of the bankers viewed their ratio as lower than desired. Twenty-five percent of the banks had a ratio of 52 percent or less, while another 25 percent had a ratio of 74 percent or more.

Interest rates charged for operating loans averaged 14.8 percent in early October, up from last April. Bankers anticipate continued sluggish loan demand, the result of a lackluster economy.

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17. Are **retail sales** better or worse than a year ago?

	Better	Same	Worse
Twin Cities Banks	58%	38%	4%
N. Minn.-Wisc.	44	42	14

18. Are **automobile sales** better or worse than a year ago?

	Better	Same	Worse
Twin Cities Banks	80%	20%	0%
N. Minn.-Wisc.	69	22	8

19. Change expected in **consumer spending** during **next 6 months**?

	Stronger	Same	Weaker
Twin Cities Banks	43%	49%	8%
N. Minn.-Wisc.	31	54	14

20. Are **housing starts** better or worse than a year ago?

	Better	Same	Worse
Twin Cities Banks	27%	53%	20%
N. Minn.-Wisc.	22	44	33

21. Overall **economic conditions** in your area at the **present time**?

	Very Good	Good	Fair	Poor	Very Poor
All Ag Banks	1%	8%	49%	37%	6%
Minnesota	0	11	52	33	4
North Dakota	2	18	53	26	1
South Dakota	0	5	38	49	7
Montana	0	3	34	54	9
Wisconsin	0	14	64	18	5
Iowa	0	3	53	38	6
Nebraska	0	1	46	40	13
Twin Cities Banks	10	73	16	0	0
N. Minn.-Wisc.	0	17	58	25	0

22. Anticipated trend in **economic conditions** during **next six months**?

	Better	Same	Worse
All Ag Banks	6%	68%	25%
Minnesota	7	65	28
North Dakota	13	77	10
South Dakota	0	71	29
Montana	6	66	29
Wisconsin	23	68	9
Iowa	4	63	33
Nebraska	3	71	26
Twin Cities Banks	27	69	4
N. Minn.-Wisc.	6	75	19

23a. Financial condition of **highly leveraged** farm customers compared with a year ago?

	Much Better	Slightly Better	About Same	Slightly Worse	Much Worse
All Ag Banks	0%	6%	19%	52%	23%
Minnesota	0	4	19	52	25
North Dakota	0	14	31	47	8
South Dakota	0	8	30	47	15
Montana	0	0	17	51	31
Wisconsin	0	14	9	55	23
Iowa	0	4	9	49	38
Nebraska	0	3	14	61	23

23b. Financial condition of **top 20 percent of farm customers** (by gross sales) compared with a year ago?

	Much Better	Slightly Better	About Same	Slightly Worse	Much Worse
All Ag Banks	2%	34%	39%	22%	3%
Minnesota	1	32	38	23	6
North Dakota	7	45	38	8	1
South Dakota	4	42	32	21	2
Montana	0	11	37	51	0
Wisconsin	0	41	27	32	0
Iowa	1	38	35	24	2
Nebraska	0	24	56	20	0

24. Percentage of farm customers that went **out of business** during the **past 12 months**?

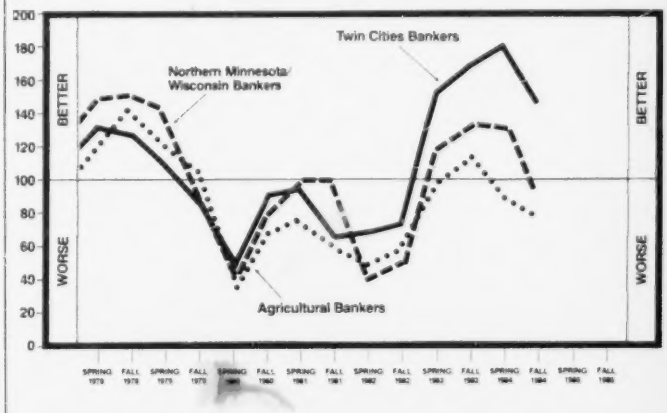
	Survey Average	Response by Percentile 25th	50th	75th
All Ag Banks	2.2%	1.5%	1.7%	3.0%
Minnesota	2.3	0.5	2.0	4.0
North Dakota	1.4	0.0	1.0	2.0
South Dakota	1.7	1.0	1.0	2.0
Montana	1.6	0.0	1.0	2.0
Wisconsin	2.9	1.0	3.0	5.0
Iowa	2.5	1.0	2.0	3.0
Nebraska	2.7	1.0	2.0	4.8

25. Percentage of farm customers that are likely to **discontinue operations** during the next **12 months**?

	Survey Average	Response by Percentile 25th	50th	75th
All Ag Banks	3.6%	1.5%	3.0%	5.0%
Minnesota	3.8	2.0	3.0	5.0
North Dakota	2.3	1.0	2.0	3.8
South Dakota	3.1	1.4	2.3	5.0
Montana	3.4	1.0	2.0	5.0
Wisconsin	3.4	2.0	4.0	5.0
Iowa	4.2	2.0	3.0	5.0
Nebraska	4.5	2.0	4.0	5.0

UPPER MIDWEST CONFIDENCE INDEX

Composite index of current conditions and bankers' appraisal of economic prospects during the next six months



Bankers' Views 1985 Outlook

Iowa - *"Many marginal farmers will have trouble continuing, but we have lots of good, solid operators who will not only survive but will do well in the future."*

"At this time we see very little light at the end of the tunnel."

"Unless federal deficit/interest rates get straightened out, there is no way banks can restructure debt to make these operations cash flow."

Minnesota - *"We have a good crop but with present prices little chance for farmers to improve their debt position."*

"1985 is going to be a very trying year."

"Land will continue to go down in value, particularly the marginal type of land. Real good farm land has perhaps bottomed out."

"Dairy producers are staying even and have been somewhat encouraged by the PIK results."

Montana - *"With poor agricultural prices and lumber prices, it looks somewhat glum."*

"At present market prices, most farmers are on a break-even basis. If they have a large debt load, they are probably going in the hole."

". . . Suffered through a severe drought this year."

Nebraska - *"Current government proposals have done very little to address the real farm problem. Extension of debt payments is definitely not the answer."*

"We have customers capable of purchasing land at current prices, but are not willing to because of the uncertainty of the times."

"Operators with less than 30 percent debt load are prospering; those with more debt continue to deteriorate."

North Dakota - *"Expect conditions to remain favorable in the Red River Valley."*

"Our farmers have just finished harvesting the best grain crop ever in this part of the state."

"Without a reduction in interest rates, the highly leveraged will go under in 1985 as refinancing is not possible."

South Dakota - *"(Outlook) poor for the highly leveraged operator and just fair for the good operator."*

"A lot of our borrowers are getting very pessimistic."

"It will take 2 to 3 years of agricultural gains, in real terms, to boost rural areas. I do not see this happening in 1985."

Wisconsin - *"The milk program has done some good. But when the program (expires) in April 85, production is going to boom."*

"With the trend toward lower dairy prices, profits will decrease and farm land values will go down."

"Continued troubled ag economy and its ripple effect darken the horizon."

Twin Cities - *"Income growth from steady employment and area growth from new homes and businesses provide a good outlook for us."*

"About the same as '84 which was a good year."

". . . From all appearances the economy should continue to grow at a moderate to above average pace."

Northern Minnesota/Wisconsin - *"No improvement in sight."*

"Economic outlook will change slightly for the worse."

"(Outlook) better than average."

"Will be stable with limited growth unless rates decrease."

Survey

(continued)

Land Values Still Declining. According to the region's bankers, cropland and pastureland prices are down an average of 14 percent from a year ago, but considerable variation was reported. One-fourth of the bankers reported declines of 7 percent or less. Within the region, Montana and North Dakota bankers reported the smallest fluctuations in land values, while Iowa reported greater-than-average declines.

Land prices are expected to remain under pressure. Nearly 60 percent of the bankers forecast declining land values during the next 12 months; the remainder anticipate little change in land prices. Marginal land is expected to decline the most, while prices of prime farm land may be close to the bottom.

Twin Cities

Recovery Surpasses Nation. The Twin Cities economy is on a strong upward path. Most Twin Cities bankers rated local economic conditions good to very good. Auto sales and general retail sales are up significantly from a year ago. Capital expenditures by businesses are also rising, while housing starts posted modest gains over last year.

By the end of the third quarter, Twin Cities nonfarm employment was 4.6 percent above the peak reached before the 1981-82 recession. This stellar performance overshadows the national rebound. During September, U.S. nonfarm employment was 3.5 percent above its pre-recession peak.

The Twin Cities recovery has been widespread, with the largest employment gains occurring in retail trade, business services, construction and the manufacture of office equipment and other high-tech products. Twin Cities manufacturing employment is just shy of the previous peak, while the nation's manufacturing industries are 7 percent short of the peak reached before the last recession.

Perhaps more surprising, areas outside the Twin Cities have regained over 90 percent of the jobs lost during the last recession. This outstate performance, combined with the strong Twin Cities growth, has pushed Minnesota's nonfarm employment 2.8 percent above the previous peak. This is the strongest performance among the states covered by this survey.

Most Twin Cities bankers were optimistic about the economic prospects for the next six months. They forecast continued strong consumer and business spending. But some bankers feared that interest rates would creep up during 1985, stalling the economic expansion.

Northern Minnesota/Wisconsin

Weak Recovery. Despite some improvement, overall economic activity remains weak. However, significant variation is evident within this part of the region.

Iron Range bankers view current economic conditions as fair to poor. Auto sales and general-retail sales are higher than a year ago, but housing starts and business investment are down. No real improvement is anticipated during the next six months. About 40 percent of the bankers think 1985 will be somewhat weaker than 1984. Increased steel imports

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